

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EUR-12 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 IO-13 ACDA-12 AID-05 COME-00 EB-08 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 HA-05
DOE-15 SOE-02 HEW-04 EA-10 AGRE-00 OES-07 NEA-11
/186 W

-----129428 262044Z /63

R 261920Z MAY 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2434
INFO AMEMBASSY BOGOTA
USCINCLANT NORFOLK VA
USCINCSO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 4805

USCINCLANT FOR POLAD

E.O. 11652: N/A

TAGS: EFIN PINT PGOV ELAB SEDU EINV VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 4599

SUMMARY/ DIEGO ARRIA JOINS THE RACE FOR THE PRESIDENCY.
AD PROPOSAL TO SEPARATE PRESIDENTIAL AND CONGRESSIONAL
ELECTIONS REJECTED BY OPPOSITION PARTIES..FOREIGN
INVESTMENT CHIEF ADVOCATES DOUBLE TAXATION TREATIES.
SETTLEMENT REACHED IN TEACHER'S STRIKE. AD PRESIDENTIAL
CANDIDATE PINERUA ADDRESSES ECONOMIC ISSUES. ACTING
FINANCE MINISTER PREDICTS MAJOR INCREASE IN PUBLIC DEBT
BY DECEMBER 1978. BOND ISSUED FLOATED IN JAPAN. END SUMMARY.
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1. DIEGO ARRIA LAUNCHES HIS INDEPENDENT PRESIDENTIAL
CANDIDACY.
IN A TELEVISED ADDRESS TO THE NATION MAY 21, DIEGO ARRIA
OFFICIALLY ANNOUNCED HIS CANDIDACY FOR THE PRESIDENCY.
SPEAKING QUIETLY, ARRIA SAID THAT HE PREFERRED TALKING
TO VENEZUELANS IN A FAMILY MANNER, AND THAT, DURING HIS

CAMPAIGN, HE WOULD NOT HOLD MASSIVE RALLIES, THE HALLMARK OF THE TRADITIONAL POLITICAL PARTIES. RATHER, ARRIA STRESSED THAT HE IS BEHOLDEN TO NO ONE, THAT HE IS HIS OWN CREATURE, AND THAT HE DECIDED TO RUN BECAUSE THE TRADITIONAL POLITICAL PARTIES HAVE FAILED THE PEOPLE OF VENEZUELA. HOWEVER, HE PRAISED THE PERSONAL LEADERSHIP OF BOTH FORMER PRESIDENT CALDERA AND PRESIDENT PEREZ, SAYING THEY HAD BEEN THE VITIMS OF THE PARTY MACHINES WHICH ONLY SEEK THEIR OWN AGRANDIZEMENT. USING THE SLOGAN "FOR DIEGO, THE PEOPLE COME FIRST," ARRIA EMPHASIZED THAT HIS SUCCESS AS GOVERNOR OF THE FEDERAL DISTRICT AND AS INFORMTION MINISTER WAS DUE TO SUPPORT FROM THE PEOPLE. THE PARTIES, HE SAID, WHILE AN ESSENTIAL PART OF VENEZUELAN DEMOCRACY, ARE SIMPLY TOO HIDEBOUND, HIERARCHICAL AND NARROW-MINDED TO ADEQUATELY REPRESET THE PEOPLE IN MODERN VENEZUELA. HE ADDED THAT HE WILL CAMPAIGN THROUGHOUT THE COUNTRY, PRINCIPALLY USING DISCUSSION PROGRAMS, TALK SHOWS AND INDIVIDUAL MEETINGS. COMMENT: NEITHER ARRIA'S NON-IDEOLOGICAL, MIDDLE OF THE ROAD APPEAL, NOR THE SMOOTH AND NON-POLEMIC TONE OF HIS ANNOUNCEMENT COMES AS A SURPRISE. ARRIA MUST ESTABLISH HIMSELF AS A VIABLE, NEW THIRD FORCE, WITHOUT LOSING HIS CREDIBILITY AS A PROTEGE OF BOTH CALDERA AND PEREZ, THUS HIS PERSONAL PRAISE FOR THEM. HIS STYLE WAS ATUNED TO TELEVISION, AND HE SPOKE SIMPLY AND WITHOUT THE RHETORICAL FLOURISHES OF TYPICAL POLITICIANS. HE PLANS TO VISIT ALL STATE CAPITALS IN LIMITED OFFICIAL USE

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THE COMING DAYS, AND HAS ALREADY BEGUN TO APPEAR ON TELEVISION SHOWS TO MAKE HIS VIEWS KNOWN. ARRIA'S HAT IS NOT IN THE RIGN, AND BOTH MAJOR PARTIES ARE WONDERING HOW MUCH OF A DIFFERENCE HIS NEW MEDIA STYLE WILL MAKE. VIRTUALLY NOBODY, HOEVER, BELIEVES HE HAS A CHANCE TO WIN. (CARACAS 4074).

2. PROPOSAL TO SEPARATE PRESIDENTIAL AND CONGRESSIONAL ELCTIONS REJECTED.

A SPECIAL COMMITTEE OF THE SUPREME ELECTORAL COUNCIL (CSE) RECOMMENDED MAY 24 THAT PRESIDENTIAL AND CONGRESSIONAL ELECTIONS CONTINUE TO BE HELD ON THE SAME DAY. THE RECOMMENDATION EFFEDTIVELY DOOMED THE PROPOSAL ADVANCED BY ACCION DEMOCRATICA (AD) REPRESENTATIVES ON THE CSE FOR SEPARATE ELECTIONS. COMMENT: AD HAD PUT FORWARD THE PROPOSAL LATER OPPOSED BY A COALITION OF COPPOSITION PARTY MEMBERS ON THE CSE. COPEI PARTY LEADERS HAVE OPPOSED SEPARATE ELECTIONS ARGUING (SOMEWHAT LAMELY) THAT A PRESEIDENTIAL CANDIDATE WOULD HAVE TO CAMPAIGN TWICE--FIRST FOR THE PRESIDENCY AND LATER FOR THIS PARTY IN THE CONGRESSIONAL ELECTIONS IN AN EFFORT TO INSURE SUFFICIENT CONGRESSIONAL SUPPORT TO AVOID A HOSTILE CONGRESS. IN ADDITION, COPEI

AND SOME MINORITY PARTIES ALSO ARGUED THAT SEPARATE ELECTIONS WOULD FAVOR AN ARTIFICIAL POLARIZATION OF THE ELECTORATE TO THE DETRIMENT OF THE SMALLER PARTIES SINCE MINORITY REPRESENTATION IN CONGRESS IS USUALLY BOOSTED SUBSTANTIALLY BY THE PRESIDENTIAL CAMPAIGNS OF MINORITY PARTY CANDIDATES. COPEI PARTY PRESIDENT, GODOFREDO GONZALEZ, ALSO CHARGED THE AD PROPOSAL WAS AIMED AT NEUTRALIZING THE FUTURE CONGRESSIONAL REPRESENTATION OF INDEPENDENT CANDIDATES, AN OBVIOUS ALLUSION TO THE CAMPAIGN OF DIEGO ARRIA. END COMMENT.

3. GOV OFFICIAL ADVOCATES NEGOTIATION OF DOUBLE TAXATION TREATIES.

VENEZUELA'S SUPERINTENDENT OF FOREIGN INVESTMENT, DR LIMITED OFFICIAL USE

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RAFAEL SOTO ALVAREZ, HAS REPORTEDLY SUGGESTED TO EUROPEAN GOVERNMENT OFFICIALS THAT THEY CONSIDER THE NEGOTIATION OF BILATERAL DOUBLE TAXATION TREATIES. SOTO, IN EUROPE TO EXPLAIN VENEZUELA'S FOREIGN INVESTMENT REGULATIONS TO GOVERNMENT OFFICIALS AND POTENTIAL INVESTORS, BELIEVES TAX PACTS WOULD STIMULATE NEW FOREIGN INVESTMENT INFLOWS INTO VENEZUELA. IN 1976, NEW FOREIGN INVESTMENT IN VENEZUELA AMOUNTED TO ABOUT \$50 MILLION, WITH THE U.S.

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DOE-15 SOE-02 HEW-04 EA-10 AGRE-00 OES-07 NEA-11
/186 W

-----129304 262043Z /63

R 261920Z MAY 78

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2435
INFO AMEMBASSY BOGOTA
USCINCLANT NORFOLK VA

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ACCOUNTING FOR ABOUT 60 PERCENT. WITH DEPARTMENT APPROVAL, THE EMBASSY PROPOSED THE NEGOTIATION OF SUCH A TREATY ON DECEMBER 6, 1977.

4. TEACHERS' UNION GRUDGINGLY ACCEPTS GOV STRIKE SETTLEMENT. CLASSES WERE RETURNING TO NORMAL THIS WEEK IN THE 23 EDUCATIONAL INSTITUTIONS REPRESENTED BY THE FEDERATION OF ASSOCIATIONS OF PROFESSORS OF INSTITUTES AND JUNIOR COLLEGES (FAPICUV). FAPICUV'S TWO-WEEK OLD STRIKE FORMALLY ENDED MAY 19 WHEN ITS LEADERSHIP ACQUIESCED IN THE MINISTRY OF EDUCATION'S SETTLEMENT FORMULA. THIS INCLUDED A PRESIDENTIAL DECREE PROVIDING A 20 PERCENT PAY INCREASE FOR THE TEACHERS EFFECTIVE IN AUGUST 1978. (DUE TO THE GOVERNMENT'S BUDGET CUTBACK FOR 1978, THE INCREASE FOR 1978 WILL NOT BE DISBURSED UNTIL 1979). THE ONLY ECONOMIC LIMITED OFFICIAL USE

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SWEETNER ADDED BY THE GOVERNMENT TO ITS "FINAL OFFER" MADE MAY 5, BEFORE THE STRIKE, WAS TO OFFER THE PAY INCREASE BEGINNING IN AUGUST RATHER THAN SEPTEMBER. THE TEACHERS PROTESTED THE GOVERNMENT'S UNILATERAL RECOURSE TO PRESIDENTIAL DECREE TO SOLIDIFY ITS PAY OFFER. THE TEACHERS, DESPITE DISSATISFACTION WITH THE PAY INCREASE, ARE CLAIMING VICTORY BECAUSE OF THE GOVERNMENT'S AGREEMENT TO IMPLEMENT OR STUDY 21 "ACADEMIC-LEGAL" DEMANDS WHICH, AMONG OTHER REFORMS, WOULD STANDARDIZE ACADEMIC REGULATIONS, QUALIFICATIONS AND WORKING CONDITIONS AMONG THE 23 INSTITUTES, PROVIDE FOR PAID SABBATICALS AND SCHOLARSHIPS FOR TEACHERS, AND REQUIRE APPOINTMENT AND PROMOTION BY COMPETITION (INSTEAD OF POLITICAL PATRONAGE AS HAS SOMETIMES BEEN THE CASE). MOREOVER, THE DIRECTOR FOR HIGHER EDUCATION PROMISED NO SANCTIONS AGAINST THE TEACHERS FOR WHAT TECHNICALLY WAS AN ILLEGAL STRIKE. THE GOVERNMENT DID NOT GRANT THE TEACHERS' DEMAND FOR A VACATION BONUS, COMMON IN THE PRIVATE SECTOR. COMMENT: FAPICUV ACQUIESCED IN THE ONLY marginally improved settlement because of several factors: (1) IT COULD NOT COUNT ON SUPPORT FROM ITS MEMBERS BELONGING TO THE ACCION DEMOCRATICA PARTY, PARTICULARLY AFTER FAPICUV'S SECRETARY GENERAL, JESUS VILLALOBOS, AN AD LOYALIST, RESIGNED. (2) THE GOVERNMENT'S TOUGH LINE ON WAGES SEEMED TO BE HOLDING FIRM AND THE PROSPECT OF A SUBSTANTIAL IMPROVEMENT ON THE OFFER DIM.

(3) THE POWERFUL CONFEDERATION OF VENEZUELAN WORKERS, WHILE EXPRESSIN SYMPATHY FOR THE TEACHERS, STATEDIT COULD NOT SUPPORT THE STRIKE TACTIC. THE TEACHERS, HOWEVER, CAN TAKE CONFORT IN HE MINISTRY OF EDUCATION'SPROMISE TO INSTITUTE OVERDUE REFORMS AND STANDARDIZATION IN THE DISPARATE INSTITUTES WHICH FAPICUV REPRESENTS. END COMMENT.

5. AD PRESIDENTIAL CANDIDATE LUIZ PINERUA COURTS FOREIGN BUSINESSMEN.
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AD PRESIDENTIAL CANDIDATE LUIS PINERUA ORDAZ' MAY 23 SPEECH TO THE VENEZUELAN-AMERICAN CHAMBER OF COMMERCE, SERVED AS A VEHICILE TO ASSURE FOREIGN COMPANIES AND INVESTORS THAT, WHILE A NEW AD ADMINISTRATION WOULD ESSENTIALLY CONTINUE THE BASIC POLICIES OF THE PRESENT GOVERNMENT, THERE WOULD BE SOME REFINEMENTS FAVORABLE TO BUSINESS AND INDUSTRIALINTERESTS. PINERUA EMPAHSIZED THE NEED FOR A BETTER TRAINED AND MORE EFFECTIVE POLICE FORCE AND AN EDUCATION SYSTEM MORE ATTUNED TO THE NEEDS OF INDUSTRY IN PROVIDING TRAINED TECHNICIANS. HE STATED THAT "PERHAPS" THE GOVERNMENT-OWNED BASIC PETROCHEMICAL SECTOR SHOULD BE OPENED TO FOREIGN PRIVATE INVESTMENT BECAUSE OF THE NEEDED EXPERTISE AND TECHNOLOGY THIS WOULD PROVIDE TO SUCH INDUSTRIES. PINERUA ALSO EVNISIONED POSSIBILITIES FOR FOREIGN INVESTMENT IN AGRICULTURE BUT ONLY IN PARTNERSHIP WITH VENEZUELAN PRIVATE OR PUBLIC CAPITAL. WHEN QUESTIONED AS TO WHICH MONEY-LOSING PULIC-OWNED BUSINESSES HE WOULD CONSIDER RETURNING TO THE PRIVATE SECTOR, THE CANDIDATE QUICKLY AND SMILINGLY REPLIED, "ALL THAT THE PRIVATE SECTOR WILL TAKE." BY EMPHASIZING THE NEED FOR GOVERNMENT TO CONCENTRATE ITS EFFORTS ON INFRASTRUCTURE AND SOCIAL SERVICES, WITH A LESS DIRECT ROLE ININDUSTRY AND COMMERCE AND GREATER RELIANCE ON COMPETITION AND MARKET FORCES, THE CANDIDATE TOUCHED A SYMPATHETIC CHORD.

6. ACTING FINANCE MINISTER PREDICTS MAJOR INCREASE IN PUBLIC DEBT BY DECEMBER.
ACTING FINANCE MINISTER LUIS ALMOGUERA TOLD A GROUP OF PROSPECTIVE FOREIGN INVESTORS ON MAY 18 THAT THE LEVEL OF VENEZUELA'S PUBLIC DEBT WAS EXPECTED TO RISE BY \$4,374 MILLION TO \$12.5 BILLION BY THE END OF 1978. \$7,419 MILLION WILL BE EXTERNAL DEBT, A NET INCREASE OF \$3.2 BILLION. SO FAR THIS YEAR, THE GOV HAS BORROWED APPROXIMATELY \$1.8 BILLION ABROAD.

7. 40 BILLION YEN BOND ISSUE FLOATED IN JAPAN.
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MINISTER OF FINANCE SILVA LUONGO VISITED JAPAN TWO WEEKS
AGO AND NEGOTIATED A 40 BILLION YEN BOND ISSUE (\$177
MILLION) TO BE FLOATED IN JAPANESE MONEY MARKETS. CARRYING
A 6.4 PERCENT INTEREST RATE AND A TERM OF 12 YEARS, THE
ISSUE WAS OFFERED AT 99.9 PERCENT AND REPORTEDLY SOLD
WITHOUT DIFFICULTY.

8. OTHER REPORTING THIS WEEK INCLUDED THE AMBASSADOR'S
ROLE IN POPULATION GROWTH AND FOOD PRODUCTION PROBLEMS
(CARACAS 4548), NIEHOUS KIDNAPPING --MRS NIEHOUSE WRITES
TO HUSBAND THROUGH CARACAS PRESS (CARACAS 4605), WHO:
DRAFT ARAB RESOLUTION ON ISRAEL (CARACAS 4628), PRESIDENT
PEREZ GIVES NATIONWIDE SPEECH ON DOMINICAN REPUBLIC SITUATION
(CARACAS 4633), INTEREST PAYMENT ON DELINQUENT FMS DEBT
(CARACAS 4664), CONVERSATION WITH PRESIDENT PEREZ
(CARACAS 4680), POTENTIAL REIMBURSABLE DEVELOPMENT
PROGRAM: URBAN PLANNING (CARACAS 4570), BILATERAL FISHERIES
DISCUSSIONS (CARACAS 4618), US VISIT OF VENEZUELAN
SCIENTIST UNDER IAEA AUSPICES (CARACAS 4660), OLAVARRIA,
POSSIBLE INDEPENDENT PRESIDENTIAL CANDIDATE (CARACAS)
AND WORK STOPPAGE BY DOCTORS (CARACAS 4791).
VAKY

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
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Review Event:
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Review Release Date: N/A
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Review Withdrawn Fields: n/a
SAS ID: 2556039
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: EFIN, PINT, PGOV, ELAB, SEDU, EINV, VE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/62603096-c288-dd11-92da-001cc4696bcc
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